
Google Denmark ApS

Sankt Petri Passage 5, 2., DK-1165 København K

**Annual Report for 1 January - 31
December 2016**

CVR No 28 86 69 84

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on

30.15.17

Niels Bang
Chairman



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Google Denmark ApS for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 30/5-17

Direktion


David Munro Sneddon


Nancy Mable Walker

Independent Auditor's Report

To the Shareholder of Google Denmark ApS

Opinion

We have audited the financial statements of Google Denmark ApS for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the

Independent Auditor's Report

audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent Auditor's Report

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 30/5-2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR No 30 70 02 28



Karsten Mehlsen
statsautoriseret revisor

Company Information

The Company

Google Denmark ApS
Sankt Petri Passage 5, 2.
DK-1165 København K

CVR No: 28 86 69 84
Financial period: 1 January - 31 December
Municipality of reg. office: København

Executive Board

David Munro Sneddon
Nancy Mable Walker

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Osvold Helmuths Vej 4
DK-2000 Frederiksberg

Bankers

Citibank
Hedegaardsvej 88, 1.
2300 København S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	209.832	166.168	152.867	131.994	117.675
Operating profit/loss	16.512	13.097	12.005	10.695	9.297
Net financials	-212	-428	-172	-77	-32
Net profit/loss for the year	12.331	9.407	8.747	7.546	6.765
Balance sheet					
Balance sheet total	135.412	105.427	90.111	70.609	60.833
Equity	64.690	52.359	42.952	34.205	26.659
Number of employees	77	68	64	57	49
Ratios					
Profit margin	7,9%	7,9%	7,9%	8,1%	7,9%
Return on assets	12,2%	12,4%	13,3%	15,1%	15,3%
Solvency ratio	47,8%	49,7%	47,7%	48,4%	43,8%
Return on equity	21,1%	19,7%	22,7%	24,8%	29,1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

Google Denmark ApS is engaged in the provision of marketing services to Google Ireland Limited and the provision of research and development services to Google Inc.

Development in the year

The income statement of the Company for 2016 shows a profit of DKK 12,330,522, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 64,689,728.

The past year and follow-up on development expectations from last year

The company has no plans or intention to restructure, reorganize or dispose of any assets other than those reflected in these financial statements, which could materially affect the book value or the classification of assets and liabilities, presentation of the income statement or which should be disclosed in these accounts or the directors report. There are no future changes anticipated in the business of the company at this time.

Operating risks

As a provider of marketing services to Google Ireland Limited and research and development services to Google Inc., the Company's principal risks and uncertainties relate to scaling back its operations due to a reduction in demand for its services. The demand for its services would be impacted by the principal risks and uncertainties faced by Google Ireland Limited and Google Inc., namely:

- These businesses face intense competition. If they do not continue to innovate and provide products and services that are useful to users, they may not remain competitive, and their revenues and operating results could be adversely affected.
- These businesses generate their revenues almost entirely from advertising, and the reduction in spending by or loss of advertisers could seriously harm them.
- A variety of new and existing U.S. and foreign laws could subject these businesses to claims or otherwise harm them.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
Revenue		209.832.424	166.168.448
Other external expenses		<u>-74.105.617</u>	<u>-49.669.075</u>
Gross profit/loss		135.726.807	116.499.373
Staff expenses	1	-113.784.025	-98.380.164
Depreciation and impairment of property, plant and equipment		-5.430.480	-5.022.677
Other operating expenses		<u>0</u>	<u>-121</u>
Profit before financial income and expenses		16.512.302	13.096.411
Financial income	2	13.047	19.033
Financial expenses	3	<u>-225.023</u>	<u>-447.356</u>
Profit before tax		16.300.326	12.668.088
Tax on profit/loss for the year	4	<u>-3.969.804</u>	<u>-3.261.232</u>
Net profit/loss for the year		<u>12.330.522</u>	<u>9.406.856</u>

Balance Sheet 31 December

Assets

	Note	2016 DKK	2015 DKK
Other fixtures and fittings, tools and equipment		7.566.677	7.529.559
Leasehold improvements		513.964	2.170.288
Property, plant and equipment in progress		30.669.343	0
Property, plant and equipment	5	38.749.984	9.699.847
Deposits		2.228.206	0
Other receivables		3.158.000	0
Fixed asset investments	6	5.386.206	0
Fixed assets		44.136.190	9.699.847
Receivables from group enterprises		634.822	7.989.271
Other receivables		7.723.635	1.216.005
Deferred tax asset	7	3.206.378	3.184.179
Corporation tax		1.242.186	1.053.683
Prepayments		2.275.079	10.401.235
Receivables		15.082.100	23.844.373
Cash at bank and in hand		76.193.997	71.882.437
Currents assets		91.276.097	95.726.810
Assets		135.412.287	105.426.657

Balance Sheet 31 December

Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		750.000	750.000
Retained earnings		63.939.728	51.609.206
Equity	8	64.689.728	52.359.206
Other provisions		4.321.203	4.321.203
Provisions		4.321.203	4.321.203
Trade payables		35.121.065	10.249.690
Payables to group enterprises		0	8.989.065
Payables to group enterprises relating to corporation tax		265.923	0
Other payables		31.014.368	29.507.493
Short-term debt		66.401.356	48.746.248
Debt		66.401.356	48.746.248
Liabilities and equity		135.412.287	105.426.657
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		

Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
2016			
Equity at 1 January	750.000	51.609.206	52.359.206
Net profit/loss for the year	0	12.330.522	12.330.522
Equity at 31 December	750.000	63.939.728	64.689.728
2015			
Equity 1 January	750.000	42.202.350	42.952.350
Net profit/loss for the year	0	9.406.856	9.406.856
Equity at 31 December	750.000	51.609.206	52.359.206

Notes to the Financial Statements

	<u>2016</u>	<u>2015</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	98.635.893	85.983.681
Pensions	7.378.337	7.548.970
Other staff expenses	7.769.795	4.847.513
	<u>113.784.025</u>	<u>98.380.164</u>
Average number of employees	<u>77</u>	<u>68</u>
<p>The directors receive remuneration in respect of their services to the Company from other group companies. The cost of the services that they provide to the Company cannot be separately identified. During the year the highest paid director received remuneration of DKK 0 (2015: DKK 0).</p>		
2 Financial income		
Other financial income	13.047	0
Exchange adjustments	0	19.033
	<u>13.047</u>	<u>19.033</u>
3 Financial expenses		
Other financial expenses	143.920	6.900
Exchange adjustments, expenses	81.103	440.456
	<u>225.023</u>	<u>447.356</u>
4 Tax on profit/loss for the year		
Current tax for the year	3.996.837	3.342.126
Deferred tax for the year	-22.199	0
Adjustment of tax concerning previous years	-4.834	0
Adjustment of deferred tax concerning previous years	0	-80.894
	<u>3.969.804</u>	<u>3.261.232</u>

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost at 1 January	24.864.945	12.734.003	0
Additions for the year	3.811.273	0	30.669.343
Disposals for the year	-931.984	0	0
Cost at 31 December	<u>27.744.234</u>	<u>12.734.003</u>	<u>30.669.343</u>
Impairment losses and depreciation at 1 January	17.335.386	10.563.715	0
Depreciation for the year	3.774.155	1.656.324	0
Reversal of impairment and depreciation of sold assets	-931.984	0	0
Impairment losses and depreciation at 31 December	<u>20.177.557</u>	<u>12.220.039</u>	<u>0</u>
Carrying amount at 31 December	<u>7.566.677</u>	<u>513.964</u>	<u>30.669.343</u>

6 Fixed asset investments

	Deposits DKK	Other receiv- ables DKK
Cost at 1 January	0	0
Additions for the year	2.228.206	3.158.000
Cost at 31 December	<u>2.228.206</u>	<u>3.158.000</u>
Carrying amount at 31 December	<u>2.228.206</u>	<u>3.158.000</u>

Notes to the Financial Statements

	<u>2016</u>	<u>2015</u>
	DKK	DKK
7 Deferred tax asset		
Property, plant and equipment	-2.255.713	-2.085.929
Inventories	-951.000	0
Provisions	-950.665	-950.665
Liabilities	0	-147.585
Tax loss carry-forward	951.000	0
Transferred to deferred tax asset	<u>3.206.378</u>	<u>3.184.179</u>
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>3.206.378</u>	<u>3.184.179</u>
Carrying amount	<u>3.206.378</u>	<u>3.184.179</u>

8 Equity

The share capital consists of 750 shares of a nominal value of DKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

9 Distribution of profit

Retained earnings	<u>12.330.522</u>	<u>9.406.856</u>
	<u>12.330.522</u>	<u>9.406.856</u>

Notes to the Financial Statements

	2016 DKK	2015 DKK
10 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
The Company has entered into two rental agreements, the longest agreement has a period of nonterminability of 6 months.	2.865.132	2.729.479

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Google Denmark is the management company of the joint taxation group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income.

11 Related parties

Basis

Controlling interest

Google International LLC, USA
Alphabet Inc., USA

Parent Company
Ultimate Parent Company

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Google International LLC
2711 Centerville Road, Suite 400, Wilmington
Delaware 19808
USA

Notes to the Financial Statements

11 Related parties (continued)

Consolidated Financial Statements

The Company is included in the Group Annual Report of the ultimate Parent Company

Name	Place of registered office
Alphabet Inc.	USA

The Group Annual Report of Alphabet Inc. may be obtained at the following address:

1600 Amphitheatre Parkway, Mountain View,
California 94043,
USA
Investor.google.com

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Google Denmark ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Alphabet Inc., the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes, Accounting Policies

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise cost relating to advertising, administration, premises, operating lease expenses and similar expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of fixed assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes, Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5	years
Leasehold improvements	5-10	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial reporting years.

Notes, Accounting Policies

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Notes, Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$